



Teachers'  
Pension Plan  
Board

Conseil du régime  
de retraite des enseignantes  
et des enseignants

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# EXCHANGE

A NEWSLETTER FOR MEMBERS OF THE ONTARIO TEACHERS' PENSION PLAN

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## Teachers on X/Y Get Full Pension Credit

**E**ffective September 1, a new method of deducting pension contributions will be introduced for teachers on x/y plans. The new system, which will apply to all teachers currently on an x/y as well as those starting one in the 1992/93 school year, prevents any loss of credit while away from teaching.

However, it also means that teachers on x/y plans will pay as much into their pension as they would if they had not taken an x/y leave.

### Here's an example of how it works:

Bruce goes on a 4/5 plan so that he can take a year off to travel. Bruce's employer holds back 20% of his regular salary for four years and then gives it to him in the fifth year.

### Under the old system:

- In each of four years, Bruce makes pension contributions only on the 80% salary he receives, but still gets 100%



- credit in his pension;
- in the fifth year – his year off – Bruce receives the held back amount from his employer; he makes pension contributions on that amount, and gets proportionate credit in his pension (about 80%);
- Bruce can buy credit to make up for the 20% he lost;
- if any of the first four years fall in Bruce's "best five" salary years, his pension will be lower as it will be based on only 80% salary.

### Under the new system:

- Bruce makes pension contributions on 100% of his regular salary in each of five years;
- he doesn't lose any pension credit;
- his pension will not be reduced if any of the x/y years fall in his "best five" salary years;
- he must return to teaching for 70 days after his year off.

## APPLIED TO BUY CREDIT?

If you've applied to buy credit for pre-1990 leaves of absence, September 30, 1992 is the deadline for sending us all outstanding documents to back up your application. We have now contacted everyone who applied by the December 1991 deadline. If you haven't heard from us, or if you are having trouble obtaining the necessary documents, please contact your client service representative as soon as possible.



### INSIDE THIS ISSUE

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## Ask Us a Question



### STREAMLINED MAILINGS

*My husband and I received Exchange today. Thank you for keeping us so well informed. It is much appreciated.*

*In order to save the Pension Plan Board a bit of money, could you please send only one copy to our address?*

J. Elizabeth T., Perth

Several teacher couples have written to ask us about this, and we're in the process of modifying our computer data base so we can accommodate your request when mailing Exchange. However, to

safeguard your privacy, we are legally obliged to continue sending personal information, such as your annual statement of benefits, in separate envelopes.

We'll contact all teacher couples to ask them if they'd like to switch to one copy.

### ANNUALIZED SERVICE WON'T CHANGE

*Earlier this year I was very alarmed to hear that we would lose some of our annualized service and have to wait longer to get to our 90 factor. Is this going to happen?*

D. Brown, Toronto

First, to set your mind at rest, your annualized service and 90 factor date will *not* be changed.

Now for a bit of background. Last year we discovered a problem with our data on annualized service for 20,000 teachers who taught anytime between 1954 and 1968. With a potential cost to the plan of \$75 million, it wasn't a problem we could ignore. To fulfill our responsibility to all plan members, we proposed correcting the annualized service and 90 Factor date of the teachers affected.

However, the OTF was concerned about disrupting teachers' retirement plans and the government decided to absorb the \$75-million cost.

### COSTS IN PERSPECTIVE

*I am appalled at the waste of money that is represented by your recent report. Please find more economical*

*ways to communicate with us. Several copies to a school with one on a bulletin board would suffice.*

D.C.S., Fenelon Falls

Our mandate is to communicate effectively with all members of the plan at a reasonable cost. With a membership base of around 200,000, we can take advantage of considerable savings in paper, printing and mailing costs. Here are some facts and figures which we hope will put the issue into perspective:

- The cost of communicating to all our audiences (teachers, pensioners, employers, the media, and the investment community) is less than \$7 per member per year, including all stages of production and distribution as well as salaries and overhead. That's less than half the cost of a magazine subscription.
- The average pension at retirement is worth around \$450,000. Given the significance of this investment, we think it's crucial for you to get all pertinent information directly from us. Also, in our 1991 membership survey, 79% said they preferred to receive our publications at home.
- The annual report highlights we sent you in May cost around 50¢, including postage.
- More specialized communications materials, such as the full annual report and the retirement planning video, are produced in much smaller quantities and distributed to schools and school boards.

## COMING THIS FALL



YOUR 1992 ANNUAL STATEMENT OF BENEFITS

**Find out how much pension you've accumulated so far!**

## BUYING CREDIT FOR PART-TIME TEACHING WILL BE RECONSIDERED IN 1994

Many teachers choose to teach part-time under an approved leave of absence. Is there any reason why we should not be able to buy credited service in order to retire with an unreduced pension provided the 90 factor is reached?

This could be a "win-win" situation – less stressed teachers, while allowing more teachers into the profession. A clear policy should be stated encouraging teachers and boards of education to pursue this avenue towards retirement.

H. Andrew D., Kemble

First of all, we'd like to clear up a common misconception about our role. It's the Partners of the pension plan – the Ontario Teachers' Federation (OTF) and the Government of Ontario – who decide on the rules. We're a separate, neutral body which administers the plan and invests the funds according to the policies set by the Partners.

We're a  
separate,  
neutral body

Under the current practice, teachers can buy credit if they teach for part of the year (e.g. one semester on, then one off), but not if they teach part of every day or week.

Secondly, it's important to realize that teaching part-time

## HELPING THE ENVIRONMENT

For the past three years, Exchange has been printed on recycled paper (50% recycled content, with 10% post-consumer waste). Starting with the next issue, we'll be trying out some other ways of helping the environment and reducing waste. We're

moving to a recycled paper stock that contains 100% post-consumer waste, and we'll eliminate envelopes and labels by printing your address directly onto the newsletter. On request, we'll also send a single copy of the newsletter to households where both spouses are teachers.



doesn't affect your 90 factor date. You get one year of *annualized service* for every year you teach at least the minimum (ranging from half a day to 20 days depending on the year). As soon as your age plus annualized service add up to 90 you can retire with an unreduced pension. The amount of your pension will depend on the actual number of days per year you teach (your *credited service*), so from that point of view, teaching part-time will result in a lower pension.

But on to your main point. The issue of buying credited service for part-time teaching is obviously one that many teachers feel very strongly about, and it isn't

being ignored. OTF raised it at the first meeting of the Partners' Committee in April, and both parties have since been trying to come up with a solution.

Teaching part-time  
doesn't affect  
when you  
can retire

No agreement has yet been reached, and in July the Partners agreed to defer the issue until their next round of pension negotiations in 1994. 

# Pension Benefits Part of Shared Family Assets

With the value of teachers' pensions far outstripping the value of most families' homes, it's little wonder that pension benefits are included by law in the assets to be shared when couples separate or divorce. The aim is to help ensure spouses get a fair deal.

## HOW IS THE PENSION DIVIDED?

Ontario law doesn't allow us to actually split your pension credits; it simply requires the value of your pension benefits to be included in family property. The idea is that you and your spouse tally up the family property acquired during your marriage and then draw up an

agreement on how to share the value equally.

If your spouse has a pension of similar value, or other assets that balance out your pension, your pension may not be affected at all. However, if there is an imbalance in your favour, your spouse has a legal claim to "equalization" payments. You can settle this claim by:

- Paying your spouse when you separate, using cash or other assets;
- Having us pay part of your pension to your spouse once you've retired.

## PROFESSIONAL VALUATION NEEDED

We can tell you how much your pension will be, but you'll need to hire an actuary to value it for family law purposes. Keep in mind your contributions are irrelevant when determining the value of your pension. What's important is the present value of the total pension you're expected to receive during your retirement.

If you separate *after* you go on pension, your former spouse keeps his or her entitlement to survivor benefits, even if you remarry. Your actuary will need to estimate the value of these survivor benefits so they can be included on your spouse's side of the balance sheet.

## CONFIDENTIALITY GUARANTEED

Although we freely provide general information about the

pension plan, we will not give out any personal information to your spouse, your lawyer or your spouse's lawyer without your written consent.

## COURT MAY ORDER PAYMENT

We've emphasized the need for you and your spouse to agree on how to share the value of your family assets. However, if you can't come to an agreement, a court can determine what is owed by one spouse to the other.

**Here's an example of how it works.** Jane and Jim divorce after 20 years of marriage. Jane, 45, is a teacher with 18 years' pension credit. Jim, 46, has no pension. They own a house valued at \$230,000; the contents are valued at \$40,000.

► When totalling their family property, Jane and Jim must include the value of Jane's pension benefits. They hire an actuary who calculates it to be \$150,000. The total to be shared between them is therefore \$420,000.

► They sell the house and split the proceeds, and divide the contents so that they feel they each have a fair share. All that's left is Jane's pension credit. She has the choice of paying Jim \$75,000 now, or having part of her pension paid to him when she retires.

## RESOURCES

**How to find an actuary:** Your lawyer can recommend one, or contact your client service rep. for our list of actuaries who we know to be active in this field.



## YOUR PENSION IS YOUR CASTLE

Average house price in Ontario<sup>1</sup>  
\$166,716

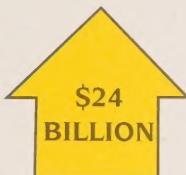
Value of average teacher's pension at retirement<sup>2</sup>  
\$450,000

How much the average teacher will receive during retirement<sup>3</sup>  
\$1,000,000

<sup>1</sup> May 1992; Toronto Real Estate Board  
<sup>2,3</sup> Based on retirement at 58, after 30 years' teaching, with \$50,000 "best five" salary.

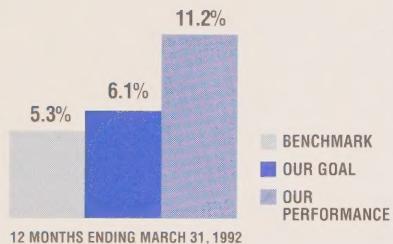
## FIRST QUARTER INVESTMENT REPORT (to the end of March 1992)

### TOTAL MARKET VALUE



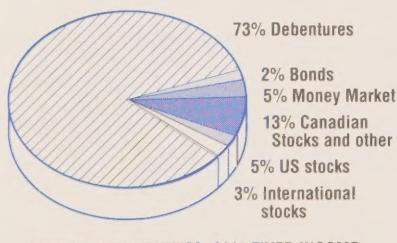
The market value of investments increased \$36 million from the previous quarter.

### FUND PERFORMANCE



The rate of return was minus 0.7% for the quarter but 11.2% for the year ending March 31. The best-performing portfolio was U.S. equities with a return of 1% for the quarter and 15% for the past 12 months.

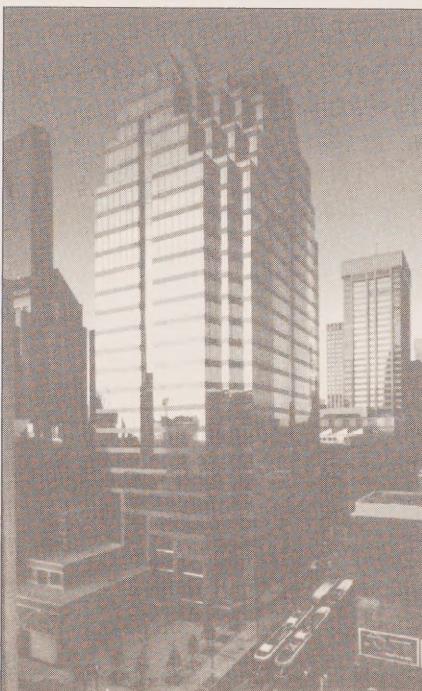
### ASSET MIX



The fund continued to invest in equities. However, increases in our fixed income portfolio left the asset mix relatively unchanged from the previous quarter.

# Fund Invests in Prime Properties

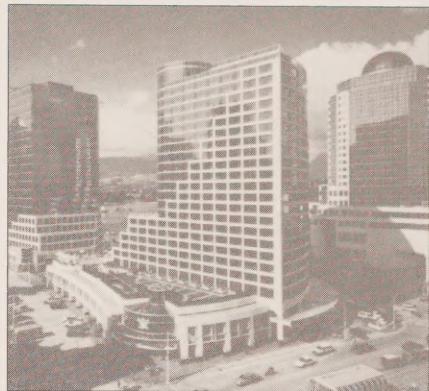
**A**s part of our long-term goal to diversify our assets into equities, we've been actively investing in real estate, Canadian stocks and private companies. Here is a quick look at some of our recent deals:



One Queen Street East

**One Queen Street East** combines a prime downtown Toronto location, first-class office space with a high occupancy rate, and direct subway access, all on an entire city block of freehold land. In May we bought a 50-per-cent interest in this property from Bramalea Ltd.

In July we invested \$11 million in **Color Your World**, Canada's largest specialty retailer of paint, wallpaper and related products.



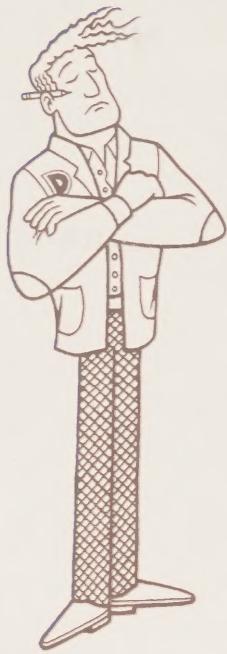
Waterfront Centre, Vancouver

**Waterfront Centre, Granville Square**, and **The Station** all have the single most desirable amenity in Vancouver: a clear view of the harbour. Located along the edge of the Burrard Inlet, these properties are the only existing waterfront properties in downtown Vancouver, and no new properties will ever block their view. This office space therefore commands some of the highest rental rates in the city. In April we bought a 50-per-cent interest in the property from Marathon Realty Company Ltd.

**DMR Group Inc.** provides management and technology services throughout the world. The company was created in 1973 in Montreal and has 37 offices in North America, Europe and Australia. In April we bought 182,000 Class A shares and 710,000 Class B shares in DMR.

In July we invested \$12 million in **Continental Cablevision**, the third largest cable TV operator in the US.

## DUDLEY DOOMSAYER



“ All this pension stuff is a waste of money. We'll probably only get a couple of years out of our pension before we die. ”

**CONSIDER THIS:** A study by our actuary, William M. Mercer Ltd., reveals that a typical teacher retires at the age of 59 and lives until 83. That's around 23 years (more than a quarter of your life!) of inflation-indexed pension.

And don't forget the survivor benefits your spouse will collect for his or her lifetime after you die. The study shows that the typical teacher leaves behind a survivor who gets a pension for a further six years.

## TIP

### SIGN POWER OF ATTORNEY NOW

**What is it?** Power of attorney is written authority given by you to another person to act on your behalf when you cannot, for example when you are travelling or in the event you fall ill or suffer an accident. Acting on your behalf may consist of simply signing a document, or it might involve making decisions for you.

**Why do it?** It's a simple process, and you can choose someone you trust to manage your affairs. Without a power of attorney, your family may have to ask a judge to authorize them to act on your behalf, or the Public Trustee may have to manage your affairs. These alternatives are much more expensive and time consuming, and reduce your control.

**Why now?** Arranging it now will give you the peace of mind of knowing that the power of attorney is in place should anything happen to you. Also, new legislation has been proposed, making the process more complicated and restrictive.

**Who can I assign it to?** Anyone, but the key is to appoint someone you trust, such as your spouse or another relative or close friend. Remember, you are giving the person you choose full authority to act for you. That person does, however, have a responsibility to act in your best interests at all times and not make any decisions for his or her personal gain.

**How do I do it?** A lawyer can give you the form you need to fill in and answer any questions or concerns you may have. And don't forget to ask permission before appointing someone to be your power of attorney. Although a spouse may consider it a natural duty, a friend or a more distant relative may prefer not to take on the responsibility.



## CALLING ALL OCCASIONAL TEACHERS

Here's a reminder that all occasional or supply teachers are entitled to participate in the pension plan. If you became an occasional teacher after January 1, 1990, you can choose whether or not to be a member. In most cases, your employer will automatically deduct your contributions. If not, and you'd like to join, you'll need to ask

your employer to start deducting contributions from your salary.

### SHOULD YOU JOIN?

The choice is entirely yours. However, the Ontario Teachers' Federation has told us they are concerned about the potentially serious financial consequences for those of you who don't join. Ask your employer for a copy of our booklet *You and Your Pension Plan* and/or talk to your federation or association rep.

If you know someone who teaches on an occasional basis, please bring this issue to their attention.



## PREGNANCY LEAVE MADE EASIER

We have recently streamlined the procedure for contributing to the plan while you are on pregnancy or parental leave. You will now deal exclusively with us throughout your leave.

### PAY ONGOING

The best way to keep up your pension credit is to continue making your contributions while you're on leave. You'll avoid interest charges, the payments will be easier and there'll be no risk of missing deadlines. Please contact your client service representative six to eight weeks before you begin your leave so that all the necessary arrangements can be made.



### IT'S MORE EXPENSIVE IF YOU WAIT

You can buy credit when you come back instead of while you're away, but it will be more expensive and you'll have to pay in one lump sum.

- If you apply within a year of your return, the cost will be contributions plus interest.
- If you apply any time after that, the cost will be calculated on an actuarial basis and is likely to be very high.



## SEE IT ON VIDEO

I nundated with paper? Here's an alternative to the printed word: *Planning for Your Future*, a 22-minute video offering plenty of visual stimulation as well as words of wisdom from your fellow teachers. While primarily an overview of your benefits under

the pension plan, the video offers a broader perspective. For example, do you know what your most valuable financial asset is likely to be when you retire? (Clue: it may not be your house.)

*Planning for Your Future* is available from your employer or federation rep. Feel free to copy the video if you want to use it as a reference at home. ☺

## A PEEK AT THE FUTURE

Early this year we surveyed retired teachers and came up with some interesting facts and figures. Here are a few highlights:

### 90 Factor is the #1 consideration when deciding when to retire

- #1 90 Factor
- #2 Early retirement
- #3 Health
- #4 Monthly pension

### 65 is no longer the typical retirement age

< 55	9%
55	17%
56 – 59	35%
60 – 64	29%
65	7%
65 +	2%

### Most financial concerns fall into four categories

- Maintain current lifestyle
- Inflation
- Taxation
- Financial planning

### PENSIONERS' ADVICE TO TEACHERS: START PLANNING EARLY FOR RETIREMENT

Hear are some other tips from your former colleagues:

- start lifestyle planning 10 – 15 years before retirement
- start financial planning even earlier
- SAVE \$\$\$
- have your house paid for by retirement
- develop friendships
- develop other interests
- stay fit – mentally and physically
- learn to laugh

### HEALTH IS THE #1 NON-FINANCIAL CONCERN

## FINANCIAL AND RETIREMENT PLANNING WORKSHOPS

Here is 92/93 schedule for the weekend workshops offered by the Ontario Teachers' Federation. As usual, we'll be there to talk about the pension plan and answer your questions. Look for our display booth, where you can pick up a copy of our latest publications.

OTF restricts attendance to teachers in the local area. For more information, contact your federation or association.

### 1992-93

Oct. 2-3	Barrie
Oct. 16-17	Goderich
Nov. 6-7	Sault Ste. Marie
Nov. 20-21	St. Catharines
Dec. 4-5	Hamilton
Jan. 15-16	Metro Toronto
Jan. 29-30	Oshawa
Feb. 12-13	Ottawa
Feb. 26-27	London
Mar. 26-27	Belleville
Apr. 23-24	Kapuskasing
May 14-15	Thunder Bay

### TOO YOUNG TO ATTEND? THE YOUNGER THE BETTER!

If you're twenty-something, thirty-something, or even forty-something, retirement and retirement planning are probably the furthest things from your mind. Even financial planning is hard to do when you're concentrating on paying the rent/mortgage, the car (or two) and bringing up the kids.

Funnily enough, though, it's the younger teachers who can get the most benefit out of these workshops. Your federation has brought together a group of experts who will help you look at your financial needs at every major stage of your life and give you tips on how to prepare for them. You'll hear about the magic of compounding and wish you had known about it when you were 18!

### SAVE LITTLE BY LITTLE

Yes, your pension is likely to be your main source of income when you retire, but it may not be enough – depending, of course, on the lifestyle you want to have. Financial planners at the workshop will tell you how you can set up a savings/investment program to supplement your retirement income. If you start now, even \$100 a month will add up to a lot by the time you retire! ☺

### EXCHANGE

is a publication prepared by the Ontario Teachers' Pension Plan Board. We welcome your comments and suggestions. Feel free to call the editor, Jackie King, at (416) 730-5351 or write to:

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## MOVING?

### DON'T FORGET TO SEND US YOUR NEW ADDRESS

All our publications are now sent to you at your home address, including information of personal interest to you, such as your annual statement of contributions. If we don't know where you are, we can't reach you!

NAME \_\_\_\_\_

SIN \_\_\_\_\_

ADDRESS \_\_\_\_\_

